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P&C Insurers May Pay for Obamacare's Cost-Containment Measures

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Medical providers who see reductions in revenue from health insurers due to Obamacare's cost-containment measures may try to increase the volume and mix of services that can be billed to property and casualty carriers to compensate, a new report contends.

Whle Obamacare provisions do not directly target or affect P&C insurance, the Insurance Research Council, in a report titled, "The Affordable Care Act and Property-Casualty Insurance," says, "To the extent the cost-containment provisions of the ACA negatively affect medical-provider revenue, then efforts by providers to increase revenue from other sources, including property and casualty insurance, should be expected."

Most medical providers that treat injuries covered by P&C products, such as auto insurance and workers' compensation, "are likely to be affected by the cost-containment efforts of public and private health insurers," which could have a "long-term effect on property and casualty insurance claims experience and costs," according to the report.

P&C carriers could be "particularly vulnerable" to cost-shifting efforts, the IRC says, because they do not have the bargaining power that health insurers have when it comes to negotiating prices for medical services. Large health insurers, the IRC says, are able to negotiate lower prices on medical services, while individual, uninsured purchasers of services find themselves at the opposite end of the spectrum. P&C carriers find themselves somewhere in the middle, says the IRC.

Should medical providers try to raise revenues by increasing the number of services provided to patients, the IRC says insurance systems "with relatively weak utilization controls" will be especially vulnerable. The report adds that P&C carriers lack "the kind of precertification and concurrent utilization-review controls that are frequently applied in public and private health-insurance programs.

P&C carriers may also be subject to claim shifting from insured individuals, the report argues. If employer-sponsored plans are altered to increase out-of-pocket costs for insureds, such as through higher deductibles, the IRC says insureds could claim that an injury is covered by P&C insurance. "In some cases," the IRC says, "the claim may be legitimate, but would have been previously filed as a health-insurance claims." In other instances, claims might be fraudulently represented as P&C related, argues the report.

The potential impact on P&C insurance is not all bad though, according to the IRC report. P&C carriers could see fewer claims if the number of uninsured is reduced—a key goal of Obamacare.

The IRC says, "By reducing the number of uninsured, the ACA could potentially reduce the number of fraudulent claims" where claimants' primary motive is to secure coverage when they are not covered by health insurance. The impact on P&C insurers, though, depends on how greatly the law reduces the number of uninsured. "If the impact of the ACA on the uninsured population is significant, then the potential impact on property and casualty claim frequency could also be significant," the IRC says.

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